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STATE OF TENNESSEE
DEPARTMENT OF COMMERCE AND INSURANCE

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FLOWERS FILES SUIT ON BEHALF OF RECIPROCAL'S POLICYHOLDERS

Tennessee Insurance Commissioner Paula Flowers, acting as Liquidator for three failed malpractice insurance firms, filed suit in U.S. District Court seeking to recover damages on behalf of the companies' more than 50,000 former policyholders.

The 62-page lawsuit, filed in the Western District of Tennessee, asserts that executives of Richmond-based Reciprocal of America and its network of commonly managed companies, together with two reinsurance companies, engaged in a massive conspiracy to defraud the policyholders of The Reciprocal Alliance, American National Lawyers Insurance Reciprocal, and Doctors Insurance Reciprocal. The three Tennessee-domiciled risk-retention groups collapsed in January, 2003, leaving thousands of doctors, hospitals and lawyers without malpractice coverage and unpaid claims totaling at least \$200 million.

The lawsuit details a complex web of corporate shells, secret side agreements, loans, and money transfers, all controlled by a small group of corporate officers and investors of Reciprocal of America led by Richmond, Virginia, attorney J. William "Bill" Crews. The complaint details RICO violations, fraud, unjust enrichment, misappropriation of funds, and negligence.

The fraud turned on a secret side agreement in which the supposed re-insurer of the companies, General Reinsurance Corp., had capped its liability. As the companies continued to slide more deeply into insolvency, ROA's top officials were still assuring policyholders, creditors and regulators that all was well. A full copy of the complaint is posted on Tennessee's website at: <http://www.state.tn.us/commerce/insurance/reciprocals/index.html>

Flowers has hired the law firms of Farmer & Luna, PLLC of Nashville and the Alabama firms of Beasley, Allen, Crow, Methvin, Portis and Miles and Cross, Poole, Goldasich & Fisher, LLP.

The suit is related to the ongoing multi-state receivership actions involving Virginia-based ROA and its various affiliates. Tennessee officials have been working with Virginia insurance officials to resolve the cases and protect the policyholders of TRA, ANLIR, DIR and ROA. The Tennessee suit was filed in the same U.S. District Court as three now-combined class-action suits filed in March, 2003 on behalf of the three companies' policyholders.

"We are determined to pursue this matter as efficiently as possible, and we hope to make the policyholders of all these companies whole," said Commissioner Flowers.

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